

Airports Economic Regulatory Authority of India

Order No. 18/2016-17

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110003

Date of Order: 20th March, 2017

Date of Issue: 28th March, 2017

Service : Cargo Handling Services
Service provider: M/s Menzies Aviation Bobba (Bangalore) Private Limited.
Airport : Kempegowda International Airport, Bangalore.

In the matter of Multi Year Tariff Proposal for the second control period and Annual Tariff Proposal for the 1st tariff year(FY.2016-17) of the second control period submitted by M/s Menzies Aviation Bobba (Bangalore) Private Limited (MABB) for providing cargo handling services at Kempegowda International Airport, Bangalore.

1.0 The Authority vide its Multi-Year Tariff Order (MYTO) Order No. 21/2011-12 dated 10.01.2011, decided to adopt '**Light Touch Approach**' for determination of the tariffs for the first control period in respect of M/s Menzies Aviation Bobba (Bangalore) Private Limited (MABB) as the cargo service was assessed as "Material but Competitive". Subsequently, the Authority also determined the annual tariffs for MABB vide its Order No.16/2012-13 dated 20.09.2012 (for the tariff year 2011-12(T1) and 2012-13(T2)), Order No. 14/2013-14 dated 10.06.2013 (for tariff year 2013-14(T3)), and Order No. 48/2015-16 dated 09.02.2016 (for tariff year 2014-15(T4) and 2015-16(T5)). The Authority vide its Order No.50/2015-16 dated 31.03.2016 allowed the AOs/ISPs to continue the levy of tariffs existing as on 31.03.2016 up to 30.09.2016 or till the determination of tariffs for the second control period, whichever is earlier. The Authority vide its Order No. 11/2016-17 dated 29.09.2016 further extended the levy of tariffs as on 31.03.2016 up to 31.03.2017 or till the determination of tariffs for the second control period, whichever is earlier.

2.0 M/s MABB vide letter dated 07.03.2016 submitted their Multi Year Tariff Proposal (MYTP) for the second control period of five years commencing from 01.04.2016 and the Annual Tariff Proposal (ATP) for the first tariff year(FY.2016-17) of the second control period for determination of tariffs for the cargo handling services provided by them at Kempegowda International Airport, Bangalore. M/s MABB proposed an increase of 5% in tariffs in their ATP for the first tariff year i.e FY. 2016-17. M/s MABB also provided the Annual Compliance Statements for the first control period.



(i) In respect of the regulated service(s) provided for cargo facility at the major airports, the Authority considers that materiality of the service is linked to the cargo volume at the major airport. The materiality shall be assessed based on cargo volume in Metric Tonnes (MT) at the major airport as a percentage of cargo volume in MT at all major airports, in terms of Clause 4.3 of the Guidelines [The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and Supply of Fuel to Aircraft) Guidelines, 2011]. The percentage share of cargo volume for Bangalore International Airport (as per the AAI cargo statistics for FY.2014-15) is **11.23%** which is greater than **2.5%** Materiality Index threshold limit fixed for the subject service. Hence the service is deemed '**material**'.

2.2 As per the information furnished by MABB, in Form F1 (b) on the Competition Assessment, following service provider(s) will be rendering similar service at Bangalore International Airport:

- (i) M/s Air India Sats Airport Services Private Limited.
- (ii) Express Industry Council of India

The Guidelines provide that where a regulated service is being provided at a major airport by two or more service providers(s), it shall be deemed '**competitive**' at that airport. In the instant case with the total number of players being three, the service is deemed '**material but competitive**'.

2.3 As per Clause 3.2 of the Guidelines, based on the assessment of materiality and competition, when such regulated service is deemed 'material but competitive', the Authority shall determine tariff(s) for the service provider(s) based on a 'Light Touch Approach' for the duration of the Control Period. Hence the regulated service being provided by MABB at Kempegowda International Airport, Bangalore is 'material but competitive' and shall come under the 'Light Touch Approach' for tariff determination.

2.4 MABB have sought an increase of 5% in tariffs. MABB has justified the increase stating that the increase has been sought mainly to cover the increasing manpower and O&M costs. MABB also stated that they plan to incur capital expenditure during the 2nd control period for replacement of ageing forklift machines, x-ray machines and other equipment so as to maintain the service levels at par with the international standards. Further, MABB has also submitted copies of agreements entered into with agencies/airlines viz. Thai Airways, Spicejet Limited, Sovika Aviation Services Limited, Qatar Airways etc. for provision of regulated services at Kempegowda International Airport, Bangalore.

2.5 As per Clause 11.2 of the Guidelines, the ATP is required to be submitted in the manner and form provided in AI. 8.1 of Appendix I to the guidelines and should be supported by the following documents:

- 2.5.1 Form B –Submission of ATP
- 2.5.2 Form 14(b)-Proposed Tariff Card
- 2.5.3 Details of consultation with stakeholders
- 2.5.4 Evidence of User Agreements clearly indicating the Tariff proposed by the Service Provider.

MABB has submitted Form B, Form 14(b), copy of monthly trade meeting



attendance sheet and copy of some of the user agreements with their Annual Tariff Proposal for the first tariff year i.e FY.2016-17 of the second control period.

3.0 The Authority considered the submissions made by MABB and issued the Consultation Paper No. 06/2016-17 dated 16.02.2017 proposing the following for stakeholder consultation:

- (i) The service for Cargo handling being provided by Menzies Aviation Bobba (Bangalore) Private Limited (MABB) at Kempegowda International Airport, Devanahalli, Bangalore is "Material but Competitive". Therefore the Authority proposes to adopt 'Light Touch Approach' for determination of tariff for the second control period w.e.f. 01.04.2016 to 31.03.2021 and accordingly issue the MYTO for the second control period.
- (ii) The tariff for the first tariff year TI(2016-17) for Cargo services rendered by Menzies Aviation Bobba (Bangalore) Private Limited (MABB) at Kempegowda International Airport, Devanahalli, Bangalore may be approved to be levied from the date of Order as per the tariff card wherein MABB has proposed an increase of 5% in tariffs.

3.1 In response to the aforesaid Consultation Paper, comments of the stakeholders are as follows:

3.1.1 CFO, MABB appraised the Authority that MABB has sought a nominal average increase of 5% in international and domestic cargo tariffs. The increase has been sought mainly to cover the increasing manpower and operation and maintenance costs during the second control period. He further stated that MABB has plans to incur the capital expenditure during the 2nd control period for replacement of forklift machines, x-ray machines among other things. He also stated that their major chunk of revenue is from demurrage charges which are going to reduce considerably due to change in the Government Policy on the demurrage free period. He also stated that under the new master plan of BIAL, the cargo building is proposed to be relocated and bidding for the new cargo terminal will be floated sometime in the year 2020. By the time, new cargo terminal will come up by 2023, the concession period of MABB will also come to an end. Responding to query from Chairman regarding discounts on maximum tariffs, CFO stated that they do offer some discounts to cargo handlers based on the cargo volumes. CFO concluded saying that increase in tariffs is required to maintain the service levels at par with the international standards.

3.1.2 President and Secretary General, DACAAI stated that the service levels of MABB at Bangalore Airport are above par. However, from the trade perspective maintaining stability in prices is required for ease of trade in the present environment. He endorsed the MABB approach of flexible pricing and incentives during the lean period of operations.

Views of the Authority

The Authority observed that as per the Annual Compliance Statements (ACS) and other audited financials for the first control period submitted by MABB, the Return on Average RAB is around 39% to 67%. Keeping in view the growth in revenue and cargo volumes and the discounts on maximum tariffs offered by MABB, there



appears no reason for giving any further increase in tariffs. Further, any increase in tariffs will be considered by the Authority after review of the ACS of the subsequent tariff years of the 2nd control period. Accordingly, the Authority in its 171st meeting held on 20.03.2017 considered the MYTP/ATP and decided that MABB may be allowed to continue the levy of tariffs for the first tariff year T1(FY.2016-17) at the same level as was determined by the Authority vide Order No. 48/2015-16 dated 09.02.2016 read with Order No. 14/2013-14 dated 10.06.2013.

ORDER

Upon careful consideration of material available on record, as well as submissions made by the stakeholders, the Authority, in exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008 hereby orders that:

- (i) The Cargo Handling Services provided by Menzies Aviation Bobba (Bangalore) Private Limited (MABB) at Kempegowda International Airport, Devanahalli, Bangalore are "Material but Competitive". Therefore the Authority adopts 'Light Touch Approach' for determination of tariff for the second control period w.e.f. 01.04.2016 to 31.03.2021.
- (ii) Menzies Aviation Bobba (Bangalore) Private Limited (MABB) may continue to levy the tariffs for the first tariff year T1(FY.2016-17) at the same level as was determined by the Authority vide Order No. 48/2015-16 dated 09.02.2016 read with Order No. 14/2013-14 dated 10.06.2013. (**Annexure-I**)
- (iii) For demurrage charges on export/import cargo, the free period will be governed as per the instructions of Government of India issued from time to time.

**By the Order of and in the
name of the Authority**


(Puja Jindal)
Secretary

To

**M/s Menzies Aviation Bobba (Bangalore) Private Limited.,
Cargo Terminal 1,
Kempegowda International Airport,
Devanahalli,
Bangalore- 560 300
Karnataka, INDIA.
(Through: Shri K. Venkata Reddy, Chief Executive Officer)**

**Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan,
Safdarjung Airport New Delhi-110003.**

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Annual Tariff for 3rd Tariff Year 2013-14 of the first control period

MAXIMUM RATES TO BE PAID BY FREIGHT FORWARDER FOR INTERNATIONAL CARGO

S.No.	LIST OF CHARGES	MINIMUM RATE (INR)	RATE (INR) PER KG
A) INTERNATIONAL CARGO			
EXPORT CARGO			
1	TERMINAL, STORAGE AND PROCESSING CHARGE (TSP) - (per shipping Bill)		
a)	General Cargo	131	1.10
b)	Special Cargo (AVI)	263	1.65
c)	PER/DGR/VAL cargo	263	2.87
2	CUSTOMS CARGO SERVICE PROVIDER CHARGE (CCSP) - (per Shipping Bill)	30	0.65
3	DEMURRAGE / STORAGE CHARGE (rate per Kg per day)**		
a)	General Cargo	137	0.88
b)	Special Cargo (AVI)	263	1.65
c)	PER/DGR/VAL cargo	263	2.87
4	COURIER HANDLING CHARGE	158	1.65
5	PACKING / REPACKING/STRAPPING CHARGE	6/- Per Carton/Bag	-
6	RETURN CARGO CHARGE	525/AWB	-
7	AIR WAY BILL AMENDMENT CHARGE	105/AWB	-
8	WEIGHT / VOLUME MIS-DECLARATION CHARGE		
a)	2-5% variation	2 times	-
b)	More than 5% variation	5 times	-
9	OVERTIME CHARGE (beyond customs working hours)	53/- per Shipping Bill	-
	VAL cargo	1050/- per AWB	-
IMPORT CARGO			
1	TERMINAL, STORAGE AND PROCESSING CHARGE (TSP) - (per shipping Bill)		
a)	General Cargo	131	5.40
b)	Special Cargo (AVI)	263	10.80
c)	PER/DGR/VAL cargo	263	10.80
2	CUSTOMS CARGO SERVICE PROVIDER CHARGE (per HAWB)	30	1.85
3	DEMURRAGE / STORAGE CHARGE (rate per Kg per day)**		
a)	General Cargo		
i)	Flight Actual Time of Arrival (ATA) plus 72 hours	No charges	-
ii)	Cargo cleared between 72 hours and 120 hours	336	1.65
iii)	Cargo cleared between 120 hours and 720 hours	336	3.09
iv)	Cargo cleared after 720 hours	336	4.63
b)	Special cargo (AVI)		
i)	Flight Actual Time of Arrival (ATA) plus 72 hours	No charges	-
ii)	Cargo cleared between 72 hours and 120 hours	656	3.09
iii)	Cargo cleared between 120 hours and 720 hours	656	6.17
iv)	Cargo cleared after 720 hours	656	9.26
c)	PER/DGR/VAL cargo		
i)	Flight Actual Time of Arrival (ATA) plus 72 hours	No charges	-
ii)	Cargo cleared between 72 hours and 120 hours	1339	6.17
iii)	Cargo cleared between 120 hours and 720 hours	1339	12.4
iv)	Cargo cleared after 720 hours	1339	18.58
4	COURIER HANDLING CHARGE	210	6.06
5	AIRWAYBILL AMENDMENT CHARGE	105/- per AWB	-
6	TRANSHIPMENT CHARGE - International to Domestic		
a)	General Cargo	131	1.98
b)	PER/DGR/VAL/AVI Cargo	247	1.98
7	Documentation charges	105/AWB	-
8	OVERTIME CHARGE (beyond customs working hours)		
a)	General Cargo	210/- per Bill of Entry	-
b)	VAL cargo	1050/- per AWB	-
9	PACKING /REPACKING/STRAPPING CHARGE	6/- Per Carton/Bag	-

** For demurrage charges on export/import cargo, the free period shall be governed as per the instructions of Govt. of India issued from time to time.



Note : Applicable for international and domestic handling
Annual Tariff for 3rd Tariff Year 2013-14 of the first control period

- 1 Consignments of Human Remains, Coffins including Unaccompanied Baggage of the deceased and Human Eyes will be exempted from the purview of the TSP and Demurrage charges
- 2 The charges will be levied on "Gross Weight" or "Chargeable Weight" whichever is higher. Wherever there is a mis declaration of the Gross or chargeable weight on the AWB, the actual Gross weight or Actual Chargeable weight will be used for the charges whichever is higher.
- 3 **Storage Charges**
 - (i) Export Cargo - Free period shall be one day (24 hours), or as decided by the Government of India, from time to time, for examination/ processing by Shipper's on 'Per Kg Per day.'
 - (ii) Import Cargo - Free period shall be 72 hours, or as decided by the Government of India, from time to time, from the Actual time of arrival of flight. For the next 48 hours demurrage will be charged at "Per Kg Per Day" on non cumulative basis, provided the consignment is cleared within 120 hours. If the clearance is effected after 120 hours (from the date of landing) demurrage will accrue for the entire period from the Actual time of arrival of flight.
- 4 50% of the General Cargo charges will be applicable to newspaper(Daily) TV Reels. Applicable to per kilo charge only
- 5 All bills will be rounded off to the next INR 5 as per IATA rules.
- 6 VAL Cargo consists of Gold Bullioni, Currency Notes, Shares, Shares Coupons, Traveller's Cheques, Diamonds (including Diamonds for industrial use), Diamond Jewellery, Watches made of Silver, Gold, Platinum and items valued at USD 1000/Kg and above.
- 7 Special Cargo (AVI) consist of Live Animals and Day old chicks.
- 8 For Consolidation TP Cargo-TSP Charges will be levied to all types of Cargo, in addition to Transhipment charges mentioned above. Demurrage Charges will be applicable as per General Cargo tariff.
- 9 No outside labour will be allowed to handle the cargo in the terminal.
- 10 All charges above are excluding service tax or any other taxes or levies that existing or to be introduced. Such taxes and levies shall be charged extra on the above prices.
- 11 Charges such as rent and parking fee are not considered in this Annual Tariff Proposal as the same are un-regulated services
- 12 All charges mentioned above include concession fee charged by the Airport Operator.
- 13 Complete shipment should be physically available prior to payment of TSP charges.

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Menzies Aviation Bobba (Bangalore) Private Limited

Annual 'Tariff' for 3rd Tariff Year 2013-14 of the first control period
 MAXIMUM RATES TO BE PAID BY FREIGHT FORWARDER FOR DOMESTIC CARGO

S.No.	LIST OF CHARGES	FY 2013-14	
		MINIMUM RATE (INR)	RATE PER KG (INR)
B) DOMESTIC CARGO			
OUTBOUND CARGO			
1	TERMINAL, STORAGE AND PROCESSING CHARGE (TSP)		
a)	General Cargo	105/AWB	0.72
b)	Special Cargo (AVI)	210/AWB	2.26
c)	PER/DGR/VAL cargo	210/AWB	2.26
2	DEMURRAGE / STORAGE CHARGE (rate per Kg per day)**		
e)	General Cargo	131/AWB	0.72
u)	Special Cargo (AVI)	210/AWB	2.26
c)	PER/DGR/VAL cargo	210/AWB	2.26
3	COURIER HANDLING CHARGE	105/AWB	0.72
4	PACKING / REPACKING/STRAPPING CHARGE	6/- per Carton/Bag	-
5	RETURN CARGO CHARGE	105/AWB	-
6	AIR WAY BILL AMENDMENT CHARGE	105/AWB	-
INBOUND CARGO			
1	TERMINAL, STORAGE AND PROCESSING CHARGE (TSP)		
a)	General Cargo/Unaccompanied Baggage	131/AWB	1.21
u)	Special Cargo (AVI)	210/AWB	2.32
c)	PER/DGR/VAL cargo	210/AWB	2.32
2	DEMURRAGE/STORAGE CHARGE (rate per Kg per 24 hours)**		
a)	General Cargo	210/AWB	1.38
b)	Special Cargo (AVI)	263/AWB	2.43
c)	PER/DGR/VAL cargo	263/AWB	2.43
3	COURIER HANDLING CHARGE	131/AWB	1.21
4	AIR WAY BILL AMENDMENT CHARGE	105/AWB	-
5	PACKING / REPACKING/STRAPPING CHARGE	6/- per Carton/Bag	-

** For demurrage charges on export/import cargo, the free period shall be governed as per the instructions of Govt. of India issued from time to time.

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Note : Applicable for international and domestic handling

Annual Tariff for 3rd Tariff Year 2013-14 of the first control period

- 1 Consignments of Human Remains, Coffins including Unaccompanied Baggage of the deceased and Human Eyes will be exempted from the purview of the TSP and Demurrage charges
- 2 The charges will be levied on "Gross Weight" or "Chargeable Weight" whichever is higher. Wherever there is a mis-declaration of the Gross or chargeable weight on the AWB, the actual Gross weight or Actual Chargeable weight will be used for the charges whichever is higher.
- 3 Storage Charges
 - (i) Export Cargo - Shall be one day (24 hours) or as decided by the Government of India, from time to time, for examination/processing by Shipper's on 'Per Kg Per day.'
 - (ii) Import Cargo - Free period shall be 72 hours or as decided by the Government of India, from time to time, from the Actual time of arrival of flight. For the next 48 hours demurrage will be charged at "Per Kg Per Day" on non cumulative basis, provided the consignment is cleared within 120 hours. If the clearance is effected after 120 hours (from the date of landing) demurrage will accrue for the entire period from the Actual time of arrival of flight.
- 4 50% of the General Cargo charges will be applicable to newspaper(Daily) TV Reels. Applicable to per kilo charge only
- 5 All bills will be rounded off to the next INR 5 as per IATA rules.
- 6 VAL Cargo consists of Gold Bullion, Currency Notes, Shares, Shares Coupons, Traveller's Cheques, Diamonds (including Diamonds for industrial use), Diamond Jewellery, Watches made of Silver, Gold, Platinum and items valued at USD 1000/Kg and above.
- 7 Special Cargo (AVI) consist of Live Animals and Day old chicks.
- 8 For Consolidation TP Cargo-TSP Charges will be levied to all types of Cargo, in addition to Transhipment charges mentioned above. Demurrage Charges will be applicable as per General Cargo tariff.
- 9 No outside labour will be allowed to handle the cargo in the terminal.
- 10 All charges above are excluding service tax or any other taxes or levies that existing or to be introduced. Such taxes and levies shall be charged extra on the above prices.
- 11 Charges such as rent and parking fee are not considered in this Annual Tariff Proposal as the same are un-regulated services
- 12 All charges mentioned above include concession for charges by the Airport Operator.
- 13 Complete shipment should be physically available prior to payment of TSP charges.

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Menzies Aviation Bobba (Bangalore) Private Limited
Annual Tariff for 3rd Tariff Year 2013-14 of the first control period

MAXIMUM CHARGES PAYABLE BY AIRLINES

S.No.	LIST OF CHARGES	Tariff Year 3	
		MINIMUM RATE in INR	RATE PER KG in INR
A) INTERNATIONAL CARGO			
EXPORT CARGO			
1	Palletisation	404 Per Flight	1.71
2	Courier/Mail Charges	404 Per Flight	1.75
3	DEMURRAGE/STORAGE CHARGE (Rate per kg per day) **		
a)	General Export Cargo	300/AWB	2.29
b)	Valuable/Perishable/Hazardous Cargo/Live Animals etc.	338/AWB	4.59
4	X-Ray charges	140/AWB	2.90
5	Dangerous Goods certification	800/AWB	
6	Export General Manifesto - Filing with Authorities	300/Flight	
IMPORT CARGO			
1	De-Palletisation	404 Per Flight	1.64
2	Courier/Mail Charges	404 Per Flight	1.75
3	DEMURRAGE/STORAGE CHARGE (Rate per kg per 24 hours) **		
a)	General Export Cargo	300/AWB	2.29
b)	Valuable/Perishable/Hazardous Cargo/Live Animals etc.	404/AWB	6.13
4	Import General Manifesto - Filing with Authorities	300/Flight	
TRANSHIPMENT CHARGES			
1	Transhipment charges-International to International		
a)	General Cargo	189/AWB	2.76
b)	Special Cargo	364/AWB	2.76
c)	Documentation Fee	155/AWB	
2	Transhipment charges-International to domestic		
a)	General Cargo	189/AWB	2.76
b)	Special Cargo	364/AWB	2.76
c)	Documentation Fee	155/AWB	
B) DOMESTIC CARGO			
OUTBOUND CARGO			
1	Palletisation	314 Per Flight	1.21
2	Courier/Mail Charges	314 Per Flight	1.21
3	X-Ray charges	157/AWB	2.14
INBOUND CARGO			
1	De-Palletisation	314 Per Flight	1.21
2	Courier/Mail Charges	314 Per Flight	1.21

** For demurrage charges on export/Import cargo, the free period shall be governed as per the instructions of Govt. of India issued from time to time.

NOTE:

- The above rates are maximum rates. These are the rates planned to be charged to achieve the projected ARR for the control period from 1-4-2013 to 31-3-2014. The rates are exclusive of service tax or other levies or taxes or to be proposed. Such taxes or levies shall be charged extra on the above prices.
- User agreements (Airline or other agents) shall have the rates subject to maximum specified above. The agreements are in line with the IATA, AHM 810 Standard Ground Handling Agreement 2004/2008 (SGHA) as amended from time to time with mutual consent by
- The rates with each Airline are based on negotiations and as agreed between Company (MABB) and the Airline depending on the specific service levels agreed such as usage of equipment credit period, indemnity/insurance, and other services necessary thought fit.
- All charges above are excluding Service Tax or any other taxes or levies that existing or to be introduced. Such taxes and levies shall be charged extra on the above prices.

